

FINANCIAL REPORT
Readmond Township
June 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Readmond Township	County Emmet
Audit Date 8/4/05	Opinion Date 6/30/04	Date Accountant Report Submitted to State: 8/15/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

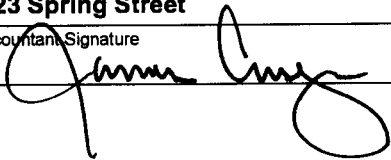
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Hill, Schroderus & Co., LLP			
Street Address 923 Spring Street	City Petoskey	State MI	ZIP Code 49770
Accountant Signature 		Date 8/15/05	

Readmond Township
FINANCIAL REPORT
June 30, 2004

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Hill ♦ Schroderus & Co., LLP

Certified Public Accountants & Consultants

August 4, 2005

Independent Auditors' Report

Township Board
Readmond Township, Michigan

We have audited the accompanying financial statements of the governmental activities, and the major fund of Readmond Township, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Readmond Township, as of June 30, 2004, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2003.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hill, Schroderus & Co.

CERTIFIED PUBLIC ACCOUNTANTS
Petoskey, Michigan

Management's Discussion and Analysis

Overview of the Basic Financial Statements

Readmond Township's basic financial statements include government-wide statements, fund financial statements and notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements. Because this is the first year of implementation of GASB Statement No. 34, prior year numbers are not presented within the Management's Discussion and Analysis. A comparative analysis will be provided in future years when prior year information is available.

Government-wide Financial Statements

The government-wide financial statements report information on the Township's non-fiduciary fund. The government-wide statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets displays all of the Township's assets and liabilities, with the difference reported as *net assets*. All long-term assets are presented.

The Statement of Activities focuses on the gross and net cost of the various functions within the Township, which are supported by the Township's general revenues (property taxes, State revenues, etc.).

Fund Financial Statements

The fund financial statements report on the Townships governmental fund, the general fund. The focus of the fund financial statements is on the sources and uses of funds during the current year.

The fiduciary fund is also presented, separate from the governmental fund, due to the fact that these assets do not represent assets of the Township. These assets are not presented as part of the Government-wide financial statements.

Notes to the Financial Statements

The notes provide additional information which is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

The table below summarizes the Township's net assets as of June 30, 2004:

Readmond Township June 30, 2004

	Governmental Activities
Assets	
Current and other assets	\$ 382,039
Capital assets - net of accum dep	<u>564,574</u>
Total assets	<u>946,613</u>
Liabilities	
Current liabilities	<u>14,810</u>
Net Assets	
Investment in capital assets	564,574
Unrestricted	<u>367,229</u>
Total net assets	<u>\$ 931,803</u>

At the end of the fiscal year, Readmond Township is able to report positive balances in both categories of net assets. A portion of the Township's net assets is its investment in capital assets (land, buildings and equipment). The Township uses these capital assets in providing Township services, consequently these assets are not available for future spending.

The remaining portion of net assets, unrestricted net assets, may be used at the Township's discretion to meet ongoing obligations.

The results for the Township as a whole are reported in the Statement of Activities, which is summarized below:

Readmond Township's Change in Net Assets
Year Ended June 30, 2004

	<u>Governmental Activities</u>
Revenue	
Program revenue:	
Charges for services	\$ 4,015
General revenue:	
Property taxes	133,917
State shared revenue	33,326
Interest	5,179
Other	<u>4,109</u>
Total revenues	<u>180,546</u>
Function/Program Expenses	
General government	57,010
Public works	23,152
Community & economic development	7,014
Recreation and culture	11,559
Other	7,135
Depreciation (unallocated)	<u>1,215</u>
Total expenses	<u>107,085</u>
Change in net assets	73,461
Net assets - beginning of year	<u>858,342</u>
Net assets - end of year	<u><u>\$ 931,803</u></u>

As reported above, the Township recorded \$ 107,085 of expenses. These expenses were funded primarily by property taxes and state revenue sharing monies. The Township experienced an increase in net assets as revenue exceeded expenses, including depreciation.

Fund Financial Analysis

As of year end, the general fund reported a fund balance of \$367,229, which is \$62,359 more than the beginning of the year. The increase was mainly due to revenue exceeding current operating expenditures and capital outlay.

General Fund Budgetary Highlights

Final budgeted revenues and expenditures remained consistent with original budgeted amounts.

Final actual revenues were slightly above final budgeted amounts, due primarily to State revenues exceeding those budgeted. Final actual expenditures were below final budgeted amounts by \$183,852, primarily due to amounts budgeted for planning and new township hall expenditures which had not been incurred by year end.

Capital Assets

At June 30, 2004 the Township had \$564,574 invested in capital assets. The following table summarizes the capital asset activity for the year:

Readmond Township's Capital Asset Activity
Year Ended June 30, 2004

	July 1, 2003	Additions	Disposals	June 30, 2004
Land	\$ 543,501	\$ -	\$ -	\$ 543,501
Construction in progress	-	12,317	-	12,317
Buildings & improvements	15,232	-	-	15,232
Equipment	4,197	-	-	4,197
Total capital assets	562,930	12,317	-	575,247
Less accum depreciation	9,458	1,215	-	10,673
Net capital assets	\$ 553,472	\$ 11,102	\$ -	\$ 564,574

The additions to capital assets consist of an architect and other costs incurred in the construction of a new township hall.

Economic Factors

The Township has collected more in property taxes and State revenues than has been spent in recent years. This accumulated fund balance will now be used to construct a new township hall without the necessity to obtain financing for the project.

Financial Contact

The Township's financial statements are designed to present users with a general overview of Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed towards Township management.

READMOND TOWNSHIP
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>
<u>Assets</u>	
Current Assets	
Cash	\$ 371,664
Due from other governments	5,613
Due from fiduciary fund	2,143
Prepaid items	<u>2,619</u>
Total current assets	<u>382,039</u>
Noncurrent Assets	
Capital assets	575,247
Less: accumulated depreciation	<u>(10,673)</u>
Total noncurrent assets	<u>564,574</u>
Total assets	<u><u>\$ 946,613</u></u>
<u>Liabilities and Net Assets</u>	
Current Liabilities	
Accounts payable	<u>\$ 14,810</u>
Net Assets	
Investment in capital assets, net of related debt	564,574
Unrestricted	<u>367,229</u>
Total net assets	<u>931,803</u>
Total liabilities and net assets	<u><u>\$ 946,613</u></u>

READMOND TOWNSHIP
Statement of Activities
Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
General government	\$ 57,010	\$ 4,015	\$ -	\$ (52,995)
Public works	23,152	-	-	(23,152)
Community & economic development	7,014	-	-	(7,014)
Recreation and cultural	11,559	-	-	(11,559)
Other	7,135	-	-	(7,135)
Depreciation (unallocated)	1,215	-	-	(1,215)
Total governmental activities	<u>\$ 107,085</u>	<u>\$ 4,015</u>	<u>\$ -</u>	<u>\$ (103,070)</u>
General Revenues:				
Property taxes				133,917
State shared revenues				33,326
Interest				5,179
Other				<u>4,109</u>
Total general revenues				<u>176,531</u>
Change in net assets				73,461
Net assets - beginning of year				<u>858,342</u>
Net assets - end of year				<u>\$ 931,803</u>

READMOND TOWNSHIP
Governmental Funds
Balance Sheet
June 30, 2004

General

Assets

Cash	\$ 371,664
Due from other governments	5,613
Due from other funds	2,143
Prepaid items	<u>2,619</u>
Total assets	<u>\$ 382,039</u>

Liabilities and Fund Balances

Liabilities:	
Accounts payable	<u>\$ 14,810</u>
Total liabilities	<u>14,810</u>
Fund balances:	
Unreserved:	
Undesignated	<u>367,229</u>
Total fund balances	<u>367,229</u>
Total liabilities and fund balances	<u>\$ 382,039</u>

READMOND TOWNSHIP
Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet to
the Statement of Net Assets
June 30, 2004

Total Fund Balances - Governmental Funds

\$ 367,229

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the governmental funds
balance sheet

Cost of capital assets
Accumulated depreciation

575,247
(10,673)

Total net assets - governmental activities

\$ 931,803

READMOND TOWNSHIP
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2004

	<u>General</u>
Revenues:	
Taxes	\$ 133,917
State revenue	33,326
Charges for service	4,015
Interest	5,179
Other	<u>4,109</u>
Total revenues	<u>180,546</u>
Expenditures:	
Current:	
General government	57,010
Public works	23,152
Community & economic development	7,014
Recreation & culture	11,559
Other	7,135
Capital outlay	<u>12,317</u>
Total expenditures	<u>118,187</u>
Net change in fund balance	62,359
Fund balances - beginning of year	<u>304,870</u>
Fund balances - end of year	<u><u>\$ 367,229</u></u>

READMOND TOWNSHIP
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds

\$ 62,359

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital outlays are reported in governmental funds as expenditures.
However, in the statement of activities, the cost of those assets is
allocated over their estimated useful lives as depreciation expense.
This is the amount by which capital outlays exceed depreciation
expense in the period.

11,102

Change in net assets - governmental activities

\$ 73,461

READMOND TOWNSHIP
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Taxes	\$ 134,734	\$ 134,734	\$ 133,917	\$ (817)
State revenue	25,000	25,000	33,326	8,326
Charges for services	3,600	3,600	4,015	415
Interest	5,750	5,750	5,179	(571)
Other	1,500	1,500	4,109	2,609
Total revenues	170,584	170,584	180,546	9,962
Expenditures:				
Current:				
General government:				
Trustees	3,840	3,840	3,840	-
Supervisor	8,910	8,910	7,246	(1,664)
Accounting	2,900	2,900	-	(2,900)
Clerk	11,685	11,685	8,948	(2,737)
Board of review	700	700	434	(266)
Treasurer	9,410	9,410	9,163	(247)
Assessor	12,250	12,250	11,575	(675)
Elections	2,000	2,000	-	(2,000)
Building and grounds	13,500	13,500	8,758	(4,742)
Attorney	1,500	1,500	325	(1,175)
Cemetery	8,000	8,000	4,191	(3,809)
Unallocated	5,000	5,000	2,530	(2,470)
Total general government	79,695	79,695	57,010	(22,685)
Public works:				
Spring clean-up	5,000	5,000	4,209	(791)
Road dust control	15,000	19,228	18,943	(285)
Total public works	20,000	24,228	23,152	(1,076)
Community & economic development:				
Planning	17,400	17,400	7,014	(10,386)
Recreation & culture:				
Parks & recreation	14,694	14,694	11,324	(3,370)
Library	250	250	235	(15)
Total recreation & culture	14,944	14,944	11,559	(3,385)
Other:				
Insurance & bonds	5,500	5,500	5,053	(447)
Payroll taxes	2,500	2,500	2,082	(418)
Total other	8,000	8,000	7,135	(865)
Capital outlay	162,000	157,772	12,317	(145,455)
Total expenditures	\$ 302,039	\$ 302,039	\$ 118,187	\$ (183,852)
Net change in fund balance	(131,455)	(131,455)	62,359	193,814
Fund balance - beginning of year	308,689	308,689	304,870	(3,819)
Fund balance - end of year	\$ 177,234	\$ 177,234	\$ 367,229	\$ 189,995

See accompanying notes to financial statements. 8

READMOND TOWNSHIP
Fiduciary Fund
Statement of Fiduciary Net Assets
June 30, 2004

	<u>Agency Fund</u>
Assets	
Cash	<u>\$ 2,143</u>
Liabilities	
Due to other funds	<u>\$ 2,143</u>

See accompanying notes to financial statements.

**READMOND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Readmond Township operates under a Board-Supervisor form of government and provides services to its residents for general government, public works, community & economic development and recreation & culture.

The Township's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The following is a summary of the significant policies used by Readmond Township:

REPORTING ENTITY

The accompanying financial statements have been prepared in accordance with criteria established by GASB No. 14, and amended by GASBS No. 39. GASBS 14 states that the primary basis for determining whether outside agencies and organizations should be considered component units of the Township and included in the Township's financial statements is financial accountability. Financial accountability has been defined as follows: A primary government has substantive authority to appoint a voting majority of the component unit's board; the primary government is either able to impose its will on a component unit or there is a potential for the component unit to provide specific financial burdens on the primary government; and the component unit is fiscally dependent on the primary government. The Township has no component units.

Joint Operations:

Middle Village Park – The Middle Village Park was created by a joint agreement between Friendship Township and Readmond Township to acquire certain real property located in Readmond Township for the purpose of creating lakeshore recreational facilities. Each township provided a total of \$119,370 for land acquisition that was matched with \$716,219 of State of Michigan funding. The State of Michigan has retained a 75% interest in all minerals in and under such land. The property was deeded to Readmond Township with an off-deed agreement transferring a 50% ownership interest in the real estate to Friendship Township. A five-member committee manages the park. The committee consists of a representative each of Readmond Township, Friendship Township, the Little Traverse Bay Band of Odawa Indians, and two representatives of the Greater Good Hart Association. The Middle Village Park Committee is required to adopt an annual operating budget approved by Readmond Township, Friendship Township, and the Tribal Council of Little Traverse Bay Band of Odawa Indians. Under the operating agreement, funding is to be provided by the Townships and the Indian band. Friendship Township performs administrative functions for the Park and is custodian of its assets, thus the Middle Village Park is included in the audited financial statements of Friendship Township and not as part of Readmond Township's financial statements. A summary of Friendship Township's audited financial information of Middle Village Park is presented below. Complete financial statements of the Middle Village Park can be obtained from the Friendship Township's office.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Joint Operations - Continued

Audited financial information of the Township as of and for the year ended March 31, 2004 is as follows:

Total assets	<u>\$ 57,769</u>
Total fund equity	<u>\$ 57,769</u>
Total revenue	\$ 22,410
Total expenditures	<u>43,932</u>
Net increase (decrease) in fund equity	<u>\$ (21,522)</u>

BASIC FINANCIAL STATEMENTS – OVERVIEW

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and the fund financial statements categorize primary government activities as governmental.

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government. The government-wide focus is more on operational efficiency, the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. This statement reduces gross expenses (including depreciation) by related program revenues, which includes charges for services, operating grants and capital grants.

The program revenues must be directly associated with the function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenue.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS – CONTINUED

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The focus of the fund financial statement is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The emphasis in the fund financial statements is on the major funds in the governmental type category. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds) for the determination of major funds.

Governmental Funds

The following is a description of the major governmental fund of the Township:

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary Fund

Fiduciary funds are used to account for assets held by the Township in a trustee or agent capacity. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. Agency funds use the accrual basis of accounting which reports only assets and liabilities. The following is a description of the fiduciary fund maintained by the Township.

Agency Fund – The Agency Fund accounts for the collection and payments of property tax levies.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

BASIS OF ACCOUNTING – CONTINUED

The government-wide statements are reported using the economic resources measurement focus and the full accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred.

The agency fund is accounted for using the full accrual basis of accounting. The Township's agency fund records liabilities when property taxes are received.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned, as long as they are both available and measurable. Revenues are available when received within the current period or within 60 days after year end. Expenditures are recorded in the accounting period in which the liability is incurred, as under full accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

ASSETS, LIABILITIES, AND NET ASSETS

Inter-fund Receivables/Payables

Outstanding balances between funds are reported as "due to/from" other funds on the balance sheet of the fund financial statements and as "internal balances" on the Statement of Net Assets of the government-wide financial statements.

Capital Assets

Capital assets, which include property, buildings and equipment are reported in the applicable governmental activities column in the government-wide financial statements.

Capital assets are recorded by the Township when the initial individual costs are equal to or greater than \$500. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Property, buildings and equipment are depreciated using the straight-line method over the following useful lives:

Buildings & improvements	35 years
Equipment	5-10 years

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

ASSETS, LIABILITIES, AND NET ASSETS – CONTINUED

Fund Equity

In the fund financial statements, governmental funds report reserved fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for specific purposes. There are no restricted fund balances for the Township at year end.

ACCOUNTING CHANGE

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Effective July 1, 2003, the Township implemented the provisions of GASB No. 34. Change to the Townships financial statements as a result of GASB No. 34 are as follows:

- A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations.
- Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using full accrual accounting for all of the Township's activities.
- A change in the fund financial statements with a focus on major funds.
- Capital assets in the governmental activities column of the Statement of Net Assets include assets which were previously reported in the General Fixed Asset Account Group.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the operating fund of the Township except for the agency fund. Budgetary control is legally maintained at the fund level.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance.
4. The budget for the General Fund is adopted at the total fund level. Budgeted amounts are as originally adopted, or as amended by the Township Board during the year.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

Excess of Expenditures Over Appropriations in Budgeted Funds

The Township is required under Public Act 621 to adopt a budget for the General Fund. The Township did not incur an excess of expenditures over appropriations for the General Fund.

NOTE 3: CASH DEPOSITS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

At June 30, 2004, the carrying amount of the Township's deposits, including the fiduciary fund, was \$373,807 and the bank balance was \$374,601. Of the above balance in cash, \$205,056 was covered by federal depository insurance. The remaining amount was uninsured and uncollateralized. The Township may experience significant fluctuations in deposit balances throughout the year.

NOTE 4: PROPERTY TAX

Property taxes attach as an enforceable lien on property as of December 1. Taxes are levied in December and are payable from December through February 14. The Township bills and collects its own property taxes and also taxes for other governmental units. Collections of the other governmental units' taxes and remittance of them to the units are accounted for in the Agency Fund. Property tax revenues are recognized in the year for which they are levied.

The Township is permitted by state law, subject to State Headlee and Truth in Taxation provisions, to levy taxes up to \$1.00 per \$1,000 of assessed valuation for general government services and an additional \$1.00 per \$1,000 was authorized by Township residents for general government services.

The tax rates for the year ended June 30, 2004 are as follows:

<u>Purpose</u>	<u>Rate/Assessed Valuation</u>
General government service	\$1.9134 per \$1,000

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 5: INTERFUND RECEIVABLES AND PAYABLES

The inter-fund balances within the Township are as follows:

	Interfund Receivable	Interfund Payable
General	\$ 2,143	\$ -
Fiduciary Fund	-	2,143
	<u>\$ 2,143</u>	<u>\$ 2,143</u>

The inter-fund balances are loaned to the fiduciary fund to keep its checking account open and interest earned. The entire balance is not expected to be paid back within one year.

NOTE 6: CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 543,501	\$ -	\$ -	\$ 543,501
Construction in progress	-	12,317	-	12,317
Subtotal	<u>543,501</u>	<u>12,317</u>	<u>-</u>	<u>555,818</u>
Capital assets being depreciated:				
Buildings & improvements	15,232	-	-	15,232
Equipment	<u>4,197</u>	<u>-</u>	<u>-</u>	<u>4,197</u>
Subtotal	<u>19,429</u>	<u>-</u>	<u>-</u>	<u>19,429</u>
Less accumulated depreciation:				
Buildings & improvements	6,345	435	-	6,780
Equipment	<u>3,113</u>	<u>780</u>	<u>-</u>	<u>3,893</u>
Subtotal	<u>9,458</u>	<u>1,215</u>	<u>-</u>	<u>10,673</u>
Net capital assets being depreciated:	<u>9,971</u>	<u>(1,215)</u>	<u>-</u>	<u>8,756</u>
Governmental activities net capital assets	<u>\$ 553,472</u>	<u>\$ 11,102</u>	<u>\$ -</u>	<u>\$ 564,574</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 6: CAPITAL ASSETS – CONTINUED

Depreciation expense was unallocated between functions in the statement of net assets.

Construction Commitments

The Township has capitalized architect and other costs as construction in progress at year end. Subsequent to year end a construction contract in the amount of \$325,000 was approved for a new township hall. The project is expected to be funded with existing funds, no additional financing is expected.

NOTE 7: RISK MANAGEMENT

The Township carries commercial insurance for risks of loss, including worker's compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.